

AN
ASSOCIATION
FOR
WORKER
CO-OPERATIVES

A FEASIBILITY
STUDY AND
SUBMISSION

BY

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FOR
THE
WORKER
CO-OPERATIVE
WORKING
PARTY

FEASIBILITY STUDY AND SUBMISSION

FOR AN

ASSOCIATION OF WORKER COOPERATIVES

IN VICTORIA

Submitted by the Brunswick Italo-Australian Employment Cooperative
for
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I N T R O D U C T I O N

1.1 The Original Submission for the Feasibility Study

In 1984, at a meeting of cooperatives funded by the Cooperative Development Program, the then Minister for Employment and Training, Jim Simmonds, undertook to provide assistance for a feasibility study to determine the need for a worker cooperative association.

In late 1984 the Brunswick Italo-Australian Employment Cooperative submitted a proposal to the Cooperative Development Programme (CDP) of the Department of Employment and Industrial Affairs (DEIA) to fund a feasibility study. The request was granted and a research worker was employed on March 18th 1985 to undertake the eighteen week study.

The project was auspiced by the Brunswick Italo-Australian Employment Cooperative. It was managed and accountable to a steering committee comprised of a representative of each of the following:

Brunswick Italo-Australian Cooperative
Gay Publications Cooperative
Open Channel
Sybylla Cooperative Press and Publications
Cooperative Development Program of DEIA

The steering committee, therefore, had majority cooperative representation, with three quarters of the members being worker cooperatives.

1.2 Methodology

The introductory stage of the project involved a review of the operations and aims of the cooperative movement in conjunction with a survey of existing literature on cooperation, both in Australia and overseas.

In the second stage, each of the worker cooperatives were interviewed to ascertain their views on the desirability and practicality of establishing a worker cooperative association. As part of the interview, they were asked to discuss the major potential functions of an association. They were also asked to prioritise their own needs.

A further question to which cooperatives were asked to respond was that of the possible structure and organisation of an association.

Cooperatives were interviewed separately because:

- (a) the degree of familiarity with the newly emergent concepts of worker cooperation and possibilities for an association varied from cooperative to cooperative.
- (b) the uneven level of discussion amongst cooperatives at that time was such that it was considered that an informal setting allowed for a freer interchange of ideas.
- (c) time is one of the scarcest resources in small labour intensive cooperatives and workers are not easily released to attend meetings.

The present study aims to:

- (i) examine and evaluate Associations and Development Agencies overseas and in Australia in the context of developing a model for Victoria.
- (ii) determine the need for an Association based on the interviews conducted with Victorian worker cooperatives and other relevant information; and outline the potential functions of an Association.

(iii) propose a model and structure for an Association. A draft set of rules of incorporation has been written and is available separately from the report. An approach of implementation has been recommended and a budget drawn up. This final section of the study incorporates a request for financial assistance from the Department of Employment and Industrial Affairs.

1.3 Background to Worker Cooperatives in Victoria

The Information Paper - The Development of the Cooperative Movement in Victoria, issued by the Ministerial Advisory Committee on Cooperation (MACC) in June 1984, points out that there are three major types of cooperatives in Victoria:

- * worker or industrial cooperatives in which members are the workers who jointly conduct a business and gain continuing employment.
- * consumer cooperatives such as credit, food or housing cooperatives in which individual members join together to provide common goods or services to their members.
- * marketing/producer cooperatives in which the members are self-employed individual/businesses providing similar products/services who join together to collectively buy and/or sell goods and services.

The cooperatives of the latter two categories have been in existence for some time in Victoria, but it is only since 1976 that there has been an emergence of small, urban based worker cooperatives producing goods and services. (Such cooperatives had existed in the earlier part of this century.)

In some cases these cooperatives set up with aims that are broader than the creation of employment for its members. For example, Sybylla Cooperative Press and Publications was incorporated in July 1976 to undertake the printing and publishing needs of the women's movement and to give women access to printing and allied skills.

The notion of 'worker cooperative' in Victoria is a new development and one that is at odds with the present Cooperation Act. It evolved at the same time as cooperatives such as Sybylla Press were developing into business enterprises in which the membership was increasingly the employees.

A number of similarly structured cooperatives have been established since the early 1980s, forming the basis of a worker cooperative sector of the cooperative movement. There are currently six active worker cooperatives in Victoria.

The purpose of this section is to examine and assess existing services available to the worker cooperative sector in Victoria, and discuss possible options for its future development.

2.1 Cooperative Development Program Unit

Department of Employment and Industrial Affairs

The CDP Unit was established in 1981. Since that time the Unit has been critical to the development of worker cooperatives in Victoria. It has played a nurturing role that no other agency or organisation has been willing and able to undertake.

Future worker cooperative development activities will need to build on the considerable achievements of the Unit. These achievements could be summarised as follows:

First, the Unit began the process of articulating a definition and concept of worker cooperatives and how they differed from other forms of cooperatives and employee-owned companies.

Second, the Unit has identified the critical importance of cooperative education and training through courses at Preston TAFE, funding the MACC cooperative education study and supporting worker cooperative curriculum. The Unit's education activities have also included the preparation of pamphlets, case studies of cooperatives, cooperative monographs, and funding The Cooperator.

Third, the Unit was responsible for developing contacts between the cooperative movements in Italy and Victoria. This included the visit of two Italian cooperators to Australia in 1985.

Fourth, the Unit has developed a philosophy of cooperative development being based on cooperative sector associations.

Fifth, the Unit has stressed the importance of a developing relationship between trade unions and worker cooperatives.

Sixth, the Unit has assisted in the establishment of a MACC research worker to liaise between MACC and funded cooperatives.

2.2 The Cooperative Federation of Victoria

To date in Victoria, the only umbrella or support organisation that worker cooperatives could join is the Cooperative Federation of Victoria (CFV).

At present both primary and secondary cooperatives (associations) are eligible for membership. Its composition is broad and includes large dairy and producer cooperatives, community cooperatives, credit cooperatives, as well as secondary cooperatives such as the Victorian Credit Cooperative Association, the Federation of Victorian Housing Societies and the Associated Herd Improvers Cooperative. Six cooperative companies that are registered under the Companies Act (1961) are also members. These six companies provide approximately half the Federation's income.

While worker cooperatives have been members of the Federation, they have found no incentive to remain. The CFV has evidenced little understanding of the nature of worker cooperatives. No worker cooperatives are current members of the CFV, and none have expressed an interest in re-joining. No worker cooperatives attended the federation's 1985 conference.

Despite this, the Federation has actively sought to represent the interests of worker cooperatives and has suggested that the cooperatives should join the Federation.

The Worker Cooperative's Working Party, in its report to the MACC, recommended that a new tertiary cooperative or federation be established which is composed of sector based associations. This proposal has received majority support from the MACC. While MACC has expressed a preference for a federation based on an association membership, the CFV has decline to restructure itself. MACC has concluded therefore that the present federation is unrepresentative of the cooperative movement. Worker cooperatives see little point in joining the CFV as it is presently structured.

While the history of the CFV is relevant, the primary reason for arguing against the Federation undertaking the developmental role for worker cooperatives is its inappropriateness.

The development needs of the different cooperative sectors are different and this requires, therefore, differential resourcing. MACC's Information Paper, The Development of the Cooperative Movement in Victoria, June 1984, clearly identified the differences between worker and other forms of cooperatives (p. 18). The development of worker cooperatives depends on specialist staff with business, educational and counselling skills specific to worker cooperatives. Indeed, the Greer Meredith Report, Democracy Through Education, has persuasively argued that education and training should be cooperative sector-based.

MACC has already concluded that sector-based associations can best represent the similarities within sectors, and are fundamental to the development of the cooperative movement. Worker cooperatives believe that association-based membership to a federation would be more democratic, with voting rights structured proportionately.

2.3 Department of Industry, Technology and Resources

The Department of Industry, Technology and Resources provides business with a range of support services, including business plan development and marketing strategy. Although its charter does not prevent it from assisting worker cooperatives, the department has given no assistance to cooperatives to date. It would judge worker cooperatives as it does small business. The Department refers much of its work to the Small Business Development Corporation.

Throughout this report, there is a strong emphasis on the need for specialised understanding of worker cooperatives within the sector. The Department has no such expertise specially relevant to worker cooperatives.

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3.0 CURRENT OPTIONS FOR WORKER COOPERATIVE DEVELOPMENT

There are a number of options for worker cooperative development. These options are discussed below with the aim of identifying the most appropriate basis for worker cooperative development.

3.1 A Development Unit Within A Government Department

Worker cooperatives do not wish to see a development unit continue within a government department for an indefinite period of time. Continued direct bureaucratic control of the worker cooperative sector will create severe problems. Given the heavy demands on the resources and interests of a bureaucracy, worker cooperatives would be forced to compete for priority along with other programs.

Shifting department responsibility would introduce the possibility that the program could become absorbed into a framework which is inappropriate to the needs of the worker cooperative sector. The current focus of the program could be lost and the current process of devolvement could be interrupted.

In its position paper to the MACC, the Cooperative Development Program committed itself to a policy of devolvement, with the eventual aim of autonomous cooperative development. The CDP believes that cooperative development cannot be imposed from above, and must depend on the cooperative movement itself.

Likewise, worker cooperatives believe they must eventually assume overall responsibility for the development of their own sector. They further believe that this process must be gradual, planned and adequately resourced.

3.2 A Cooperative Development Agency

MACC is currently examining the option of a Cooperative Development Agency which would offer assistance to the entire cooperative movement.

A CDA would enable the cooperative movement to achieve greater autonomy and to gain better credibility and act as a lobby group where appropriate.

However, worker cooperatives feel that such an option would offer them little in terms of assistance and representation. A broad based CDA would probably fail to differentiate between the various cooperative sectors. Worker cooperatives would face having to compete for assistance along with the more powerful producer and credit sectors. Problems already existing with the Cooperative Federation of Victoria could be duplicated. A CDA would quite possibly discriminate in favour of the more established cooperatives. Faced with having to achieve credibility and financial viability, the CDA could give high risk ventures low priority. This is certainly the case with broad based cooperative funding bodies overseas, such as the cooperative banks in the UK and USA. In terms of lobbying, a broad based CDA would probably favour working on behalf of the movement as a whole, rather than taking up issues specifically to do with worker cooperatives. Staffing of this proposed CDA would be problematic. It is the Cooperative Development Program's expressed opinion that expertise directed specifically at the worker cooperative sector is required if that sector is to develop. There would be no guarantee that a CDA would be staffed accordingly.

It should be noted here that a CDA is not entirely compatible with state government recommendations: "The Government will also continue to support the establishment of worker cooperatives subject to their capacity to achieve economic viability, their commitment to cooperative principles and industrial democracy, and meeting award wages and conditions." (Victoria: The Next Step - The Economic Strategy for Victoria 1984). Worker cooperatives would argue that a broad based CDA, for the reasons discussed above, would work against this recommendation.

3.3 Small Business Development Corporation

The Small Business Development Corporation provides a series of support services to small business. These include training and education, relief management training grants programs, pre-business workshops and small business seminars. At present, cooperatives can only receive business advice from the corporation.

However, legislation is currently before parliament which if passed will allow the SBDC to broaden its services to cooperatives and offer financial assistance. The SBDC is proposing to establish a special unit to assist business cooperatives and cooperative activities.

The corporation's plans to offer specialist assistance to cooperatives are still in the planning stage. To put them into action, the SBDC will require additional funding on top of its current loan facility. The needs of the worker cooperative sector are urgent, especially given the current status of the Cooperative Development Program. There is no indication of when the SBDC would be in a position to offer assistance.

While the Act is being amended to enable cooperatives to benefit from the services of the Corporation, the Corporation does not in fact plan to make its current loan funds available. Instead, it is that proposing additional funds will be needed for cooperatives.

The Corporation has not determined whether or not cooperatives will be served from its existing staff or additional staff. That this has not been determined defies the work that Brian Greer has been undertaking for 18 months with MACC and Preston TAFE which clearly demonstrates the qualitatively different counselling and educational needs of worker cooperatives and small business enterprises.

The Corporation's failure to have resolved either of these issues clearly demonstrates its incapacity to properly and appropriately undertake cooperative development. The amendment to its Act has been sought without regard to developmental requirements and without consultation with the Ministerial Advisory Committee on Cooperation.

If it is envisaged that a special cooperative fund is to be created then it is far more appropriate that this fund be controlled by a cooperative financial institution such as the Victoria Credit Cooperatives Association. It would be inappropriate for the Government to establish a cooperative fund with the Small Business Development Corporation.

It should be stressed that worker cooperatives are not small businesses. Their aims are quite different. While cooperatives aim for efficient business practice and economic growth, they do so through democratic management and mutual ownership. The relationship between labour and capital in a cooperative sets it apart from a small

business. In a cooperative no one individual may accumulate the surplus profit. The commitment that worker cooperatives require often allows them to survive, and sometimes flourish, where small business fails. The difference between worker cooperatives and small businesses are critically important to the nature of support services.

Any organisation which represents worker cooperatives must understand and sympathise with their needs and appreciate their growth potential.

It is unlikely that the corporation would be able to offer specialist advice to worker cooperatives, particularly in regard to democratic management practice.

In the UK, local councils recognise the need to support cooperatives and small business through separate programs. The Leeds council, which operates both small business and cooperative support programs, is currently seeking to broaden its cooperative services. The council, like many others in the UK, acknowledges the growth potential of the cooperative sector and understands that the sector has particular needs separate from small business. The Industrial Cooperative Association in the USA argues that there is no similarity between worker cooperatives and small businesses.

3.4 A Worker Cooperative Association

A Worker Cooperative Association would not merely be a representative body for worker cooperatives but also be responsible for their developmental requirements.

The Association would function as a worker cooperative development agency but with a critical difference. This difference would be that the association would be operated by a secondary cooperative comprising worker cooperatives.

Worker cooperatives interviewed for this study endorsed the proposal for an association. They saw the need for a body which could represent them collectively and provide infrastructural support. They emphasised that the association, if it was to function effectively, must be an umbrella organisation tailored to meet their specific needs.

They further emphasised that the association must be sector-based due to the distinctive nature of worker cooperatives.

If an association is to be truly representative of the worker cooperative sector, then it must do so democratically. However, some cooperators expressed concern that an association could place administrative burdens on the sector. Therefore, they felt it was crucial that the association be provided with adequate staffing levels and sufficient funding, from its inception. Cooperatives were adamant that they were not in a position, either financially or labour-wise, to lend voluntary support to an association. Further, their participation in meetings should be financed. (See 'Sitting Fee' component in budget.)

Currently there are six active worker cooperatives in Victoria. Worker cooperatives believe the small size of their sector is a reason in itself for an association to exist.

The development and expansion of the worker cooperative sector depends critically on the establishment of an Association. An examination of overseas models such as Italy and France indicates the importance of infrastructural support. (See Appendix I)

Given appropriate support, worker cooperatives can have a profound impact on the Australian economy.

They offer an alternative to stop-gap enterprise and job creation schemes. They offer real employment opportunity. But first they must gain greater support from state and federal government bodies, business organisations and the trade union movement. To do this, the sector needs infrastructure.

4.1 Increasing Awareness of Worker Cooperative Sector

An association will focus much-needed attention on the worker cooperative sector, in an appropriate and productive manner.

Increased education, both within and without the cooperative sector, is considered a priority by worker cooperatives. The creative potential inherent in worker cooperatives and the financial benefits of worker self-management are areas little understood by business, unions and government.

The report Democracy Through Education (Meredith & Greer) recommends cooperative education and training committees for each of the types of cooperatives in Victoria, including worker cooperatives. It states that such committees should be part of their respective Cooperative Associations. These recommendations are based on the report's finding that cooperative education and training is underdeveloped in Victoria.

It should be noted at this point that the growth of worker cooperatives in Victoria over the last five years has been positive as compared with the negative growth in the produce and credit sectors.

In both France and Italy, worker cooperative associations have directly contributed both to the increase in worker cooperatives and their integration with various industry sectors. (See Appendix)

4.2 Interests Represented

An association would ensure that the interests of the worker cooperative sector are clearly articulated and represented. Worker cooperatives in Victoria have had representation on MACC and the CDP funding committee which indicates how valid and useful their views are considered. However, these representations aside, the worker cooperative sector has no formal voice.

Overseas experience, particularly in England, would indicate that a worker cooperative association could provide input to local municipal councils. Currently inner city councils in the Melbourne area are beginning to determine local economic and employment management policies. Melbourne City Council, through its Economic and Employment Planning Unit, is looking to revitalise employment opportunity in the city areas. It is the Unit's stated policy that worker cooperatives will play a role in its proposed Melbourne Enterprise Board.

Both Fitzroy and Collingwood Councils have recently issued local planning documents which recommended the examination of development options in their respective areas. Collingwood Council in particular is looking to employ a Planning Officer who would be responsible for encouraging and assisting industrial and commercial development. There are currently three worker cooperatives in the Fitzroy/Collingwood area. An association could liaise with both these councils to highlight the potential of a local worker cooperative sector.

In general, liaison between the association and local council would have distinct advantages for a worker cooperative sector. For instance, councils have knowledge of available industrial sites and in certain cases can lease property themselves.

Local councils in turn would benefit from an association developing a viable worker cooperative sector. Worker cooperatives traditionally identify with a local area. Their roots run deep. Sybylla, Correct Line Graphics and Gay Publications Cooperative all regard their community profile as an important element in their work. They present an ongoing commitment to local employment.

4.3 Special Provision

Within the cooperative movement overall, worker cooperatives play a minor role. The small size of the worker cooperative sector makes it vulnerable to the stronger cooperative sectors. This is not to say the worker cooperative sector should reject out of hand advice and guidance from the more experienced cooperative sectors. However, the sector requires autonomy and privilege in order to gain strength.

Within the business community in general, and within parts of the cooperative movement, worker cooperatives suffer an 'image problem'. The business community tends to equate democratic structure with bad management. Furthermore, there is a belief that worker cooperatives are 'social organisations' first and businesses second.

Overseas experience, especially in continental Europe, indicates that social commitment and efficient business practice are complementary. The mature cooperative sectors in Italy, France and Spain are a result of commitment to social responsibility as much as commitment enterprise.

However in Australia, business remains uneasy with the notion of democratic control. An association cannot cure this problem overnight, but it can begin to educate the business community as to how worker coops can and do operate efficiently. Marketing strategies could be designed to target and educate appropriate sections of the business community.

In order for the sector to develop, it requires special provision. The counter argument, that worker cooperatives should first 'prove themselves' before being given assistance, is easily dismissed. Given the odds stacked against the worker cooperative sector, such as a lack of understanding within the trade union movement and suspicion within the businss sector, it will hardly 'prove itself' without first receiving assistance.

4.4 Government Policy

Worker cooperatives offer great potential to implement government policies regarding industrial democracy, economic strategy and employment creation. Such potential could easily be lost without effective representation. For instance, an association could monitor the effect of health and safety legislation on worker cooperatives and offer useful feedback to government. Similarly it could assist with equal opportunity programs and other affirmative action policies. A worker cooperative association would be sympathetic to such policies given the ideological tenor of the cooperatives it would be representing.

4.5 Cooperative Funding

Alternative funding for worker cooperatives is unclear at this stage. However, it is imperative that the new association plays a crucial role in the development of a funding facility for worker cooperatives.

Furthermore, it is essential that worker cooperatives have access to a fund specifically geared to their sector's needs. A broad based funding agency would be just as inappropriate to worker cooperative needs as would a non-sector based federation. Cooperative banks in the UK and the USA have moved away from funding worker cooperatives because of the high risk factor. This is despite their original aims of developing the cooperative sector. The UK bank also funds small business. On the other hand, the Greater London Council, in its funding arrangements, has acknowledged the specialised needs of worker cooperatives. The GLC's assessment guidelines are based on the level of demonstrable commitment within the cooperative applying for funding, as opposed to its level of security. The development of the worker cooperative sector in London is testimony to this policy.

The association's relationship to any proposed funding facility cannot be determined at this stage. The association should have no direct responsibility for operating a funding facility.

Discussions have been initiated with the Victorian Credit Cooperative Association as to how the VCCA could manage high risk loans specifically for worker cooperatives.

A further alternative could be the gradual devolvement of DEIA which would previously have been targetted for the CDP Unit, into a worker cooperative development agency which would eventually be managed by the association. In this proposal, the VCCA would manage the funding facility, while the agency determined its use.

In both these proposals, the association must play a key role in developing funding criteria. However, the assessment and monitoring functions involved in operating a funding facility are not necessarily appropriate for an association to undertake.

It is in the interests of a funding body to ensure its facility is used productivly. It is in the interests of an association to ensure that its members are treated fairly and that the sector is being adequately resourced. The interests of these two bodies are not necessarily compatible.

A worker cooperative should be able to use the association as a lobby mechanism in obtaining funding. While it is crucial that the worker cooperative sector has its own financing body, the roles between that and an association should not be confused.

Furthermore, an association may find it difficult to offer effective financial counselling if it is intimately involved in the funding process. Such counselling will require its own form of assessment. Cooperatives may wish this assessment to be kept separate from the information given to a funding committee. In addition, funding should not be dependent on this financial counselling.

Cooperatives may wish the association to document the development of both the sector as a whole, as well as the progress of individual cooperatives. Such documentation could be valuable in developing strategy. For example, cooperatives may wish the association to research the history of loan defaults in order to determine any inherent problems, and thus advise on the future development of funding facilities. Such research will require a form of 'assessment and monitoring', or evaluation, which cooperatives may enter into voluntarily. This should not be confused with the sort of assessment required by a funding body.

4.6 Cooperative Development Program

The Cooperative Development Program, in its MACC submission, acknowledges the problems inherent in a large bureaucracy operating an employment development program. In its proposed strategy, the program stresses the importance of autonomisation of cooperative development.

It also argues for a gradual period of devolvement in which the functions undertaken by the CDP Unit are passed over to the sector. This would enable the association to plan its activities over a long period. This strategy of devolvement is discussed in the section on strategy. However, worker cooperatives would be wary of unnecessarily duplicating the functions of the CDP in an association.

5.1. ASSOCIATION AS A RESOURCE AND SUPPORT SERVICE

One of the primary roles of an association would be to operate a resource centre.

Essential services would be:

- Computerised management accounting services
- Conference and meeting facilities
- Word processing services for report development
- Bulk mailing facilities
- Business consultancy
- Library including audio and video sections

(i) Computerised management accounting services

Such services would benefit both start-up cooperatives during the development of their first business plan, and 'started-up' cooperatives who are unable to afford the services of an accounting firm.

Centralised accounting procedures (flow charts etc.) would be a useful cost cutting measure.

It would enable the association to document the development of the sector by locating marketing and finance information centrally.

Given that the worker cooperative sector is still 'in embryo', such documentation is of high priority.

Industry averages and figures located centrally would benefit start-up coops determining their first business plan. This information would also be valuable for established coops wishing to expand or alter their markets.

Evaluation of DEIA financial assistance would also be improved.

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(ii) Conference, meeting and office facilities

The Association will provide space for meeting and discussion.

This would greatly promote and assist interchange of information between cooperatives.

Audio-visual equipment would be on hand to assist with displays and educational programs.

Newly forming cooperatives would greatly benefit from access to such an office space, in the development of the first business plan.

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(iii) Business Consultancy

The Association would develop and coordinate a resource list of appropriate business consultants.

The Association would identify growth problems and offer appropriate assistance.

It should be stressed that such consultancy requires an accurate and sympathetic understanding of worker cooperatives. Both the Department of Industry, Technology and Resources and the Small Business Development Corporation offer marketing services through consultants. However to date these organisations have had little experience with cooperatives.

It should be stressed that this consultancy service, or financial counselling, should not be requisite for cooperatives applying for financial assistance from the agency. Also, confidentiality between the association and the cooperative seeking assistance should be secured. Any assessment which the association makes of a cooperative should not be provided to the financing agency to determine eligibility for loans or grants unless the cooperative is willing.

(iv) Word Processing Services

Word processing equipment would streamline report development.

It would avoid costly duplication of such services.

Services such as bulk mailing could be provided, along with centralised filing of reports in progress.

Mailing and membership lists could be streamlined.

(v) Library

Monitoring and assessment procedures would require back up material including current cooperative reports both local and overseas.

The last ten years has seen a considerable amount of journals, books reports and videos produced on the worker cooperative movement. Cataloguing of this material would be essential to keep the Association in touch with developments both local and overseas.

Library facilities would also include translated material. The recent visit to Australia by representatives of the Lega cooperative association in Italy has highlighted the need for up-to-date translated material.

5.2. PROMOTION

i) Education

Promotion of individual worker cooperatives, the sector as a whole and the role of the Association is urgently needed for the development and growth of worker cooperation.

Education of the general community to generate wider understanding of the principles and philosophy of worker cooperatives and their desired modus operandi - ownership and control by workers, different approaches to industrial democracy etc., - from a worker cooperative perspective, is long overdue.

A number of approaches could be taken:

- a) provision of information to educational institutions and inclusion of the history, philosophy and principles of worker cooperatives in the curricula of schools, colleges and universities should be negotiated with the relevant institutions.
- b) community groups, the business sector and other relevant bodies should be made aware of the operations of worker cooperation and the possibilities it offers.
- c) a resource pool of speakers with direct worker cooperative experience should be organised and coordinated by the Association.

- d) utilisation of different forms of media to promote worker cooperation. Press releases should be regularly supplied to newspapers, television and radio. The Association could possibly coordinate the production of its own radio program on one of the community access stations.
- e) films and videos on worker cooperation could be held by the Association and supplied to educators.

ii) Publications

In 1984, the then Ministry of Employment and Training awarded the tender to produce a magazine for worker cooperatives to Gay Publications Cooperative, which is one of the worker cooperatives funded under the Cooperative Development Program.

In August, GPC published the first edition of The Cooperator, subtitled "Victoria's Journal of Cooperative Affairs". The CDP submission to the MACC has stated that the Association will assume responsibility for The Cooperator. The magazine has completed its first twelve months production.

There are two general directions The Cooperator could follow.

- a) The Association could take responsibility for administration, management and editorial tasks and it could be produced from the Association's premises rather than tendering it to a cooperative.

b) The Cooperator could be administered by the Association, but the entire editorial and production package could be contracted to a cooperative. This raises questions about which body is most appropriately suited to take editorial responsibility for The Cooperator.

iii) Other

The Cooperative Development Program has funded production of two monographs; Worker Cooperatives in France, translated by Jim Asker from a document by Hughes Sibille, and The Organisation of Worker Cooperatives in Italy, by Carlo Carli. The latter was launched in September. These monographs provide valuable research material. The association could commission future research works of this type.

The Association would be the best body to determine the methods of promoting cooperatives, which aspects of worker cooperatives to highlight, and which areas of need to target (change-over coops, start-up coops). Furthermore, the association's methods would be in keeping with cooperative philosophy and practice.

5.3. EDUCATION AND TRAINING

"The responsibility of cooperatives themselves regarding education and training should be emphasised, and in addition to the use of educational institutions, it is recommended that cooperatives be encouraged to establish education committees which plan, implement and revise educational strategies for their members."

Democracy Through Education, Meredith and Greer
(Funded by DEIA for MACC).

Every worker cooperative considered that there was a need for greater involvement in the development and implementation of training courses by their sector. It was generally accepted that education and training should be a function of the association. However they stressed the need for adequate research and resourcing.

Most worker cooperatives argued that education and training would improve if educators were answerable to the worker cooperatives. At present Preston TAFE and to a lesser extent Ballarat CAE have offered courses and consultants to cooperatives and intending cooperative members. These institutions are at present responsible to the CDP and the consultants they send to cooperatives are in turn responsible to the institutions.

Cooperatives have been disatisfied with what has been on offer from training courses to date. In particular, they were disatisfied with initial approaches made by Preston TAFE to determine worker cooperative needs.

However both the DEIA and the college are now conscious of the need to address the subjects of democratic management and industrial democracy in the courses. Considerable development work has been undertaken to address these issues. In particular Preston TAFE, in conjunction with the DEIA, developed a worker cooperative curriculum. More recently, federal funding has enabled Brian Greer to develop a more specific worker cooperative component for the course.

5.4. LIAISON WITH GOVERNMENT

It is envisaged that the association will provide input into government policy development on cooperatives and the development of government programmes for cooperatives. At present this type of representation is ad hoc.

The association would be responsible for the future coordination of worker cooperative representation on the funding committee.

The association will coordinate worker cooperative representation to the MACC and will liaise with the proposed Cooperative Council.

The association would also liaise with the Registry, in regard to regulations involving worker cooperatives.

The association will be in a position to promote employment programs which are in keeping with the aims of the worker cooperative sector in regard to long term job growth. Short term programs, such as the Community Employment Program, are by their nature contradictory to the sector's aims. Furthermore, it can assist with government policy on industrial democracy, equal opportunity and health and safety.

5.5. LIAISON WITH TRADE UNIONS

The relationship between trade unions and worker cooperatives is extremely important, particularly in relation to industrial questions. Historically the trade union movement has been highly suspicious of worker cooperatives in Britain and Australia.

Cooperatives are seen by the movement to confuse the relationship between labour and capital to the detriment of workers. Certainly the so-called worker owner models such as Modern Maid have done little to endear the trade union movement to worker cooperatives.

The association can have a facilitating role in:

- i) identifying areas of commonality and difference. The object of such liaison would be to produce a strategy that improves cooperation.
- ii) Industrial democracy. Development of the worker cooperative experience with industrial democracy and its implications is overdue. The practices of worker cooperatives could influence the possible implementation of industrial democracy in broader industry. This can only occur through the involvement and initiatives of the trade union movement.
- iii) Establishing union/cooperative links. The trade union movement has a history of experience and expertise that would be advantageous to worker cooperatives. Knowledge of industries in order to identify areas for worker cooperative involvement, education and training via schemes like TUTA or occupational health and safety education would be some of the areas for involvement.
- iv) Obtaining assistance with conversion cooperatives. If conversions are to be successful and democratic, union participation is essential.
- v) Direct union/cooperative involvement. It is of paramount importance that relations between unions and cooperatives are improved. A number of issues will have to be resolved, such as the tendency of unions to ascribe employer status to cooperative members and the methods of unionising worker cooperative members.

The CDP Unit at the DEIA has been discussing with the Trades Hall Council the possibility of appointing a cooperative liaison officer at the THC. The appointment of this worker could be critically important in assisting trade unions to develop an understanding of the potential of worker cooperatives. It would be insufficient for a worker cooperative association to simply assume that its own employment of a liaison officer would assuage the concerns that unions have concerning worker cooperatives.

A THC liaison officer would provide an important basis for developing an effective relationship between trade unions and cooperatives in Victoria. In Italy there is a close relationship between both movements. The need for this relationship is acknowledged by all cooperative sectors.

While unions in Italy recognise that workers in worker cooperatives are also owners, it is accepted that there remains a need to protect the rights of workers and ensure the democratic characteristics of cooperatives are maintained.

In Victoria, worker cooperatives recognise the need for a special relationship with unions. Worker cooperatives also recognise the commonality of interests between their aims and those of trade unions; continued long term employment growth, improved working conditions and greater worker participation in decision making.

6.0 STRATEGY FOR IMPLEMENTATION

The following section offers a two phase establishment plan for a worker cooperative association.

The plan also includes a broad timetable for devolving the Cooperative Development Program Unit's responsibilities.

Before the association can undertake its major tasks, its legal and administrative structure must first be finalised. This must be done in consultation with worker cooperatives and a period of time - phase one - is therefore required to formalise these arrangements.

6.1 PHASE ONE

Two project workers will undertake activities to finalise the legal and structural details and determine the association's priorities, in conjunction with worker cooperatives, for the first year. This will be done under the direction of the steering committee. It is anticipated that there will be an overlap period between the two phases during which time new employees will be trained by the project workers and will become acquainted with background information. On completion of phase one, the activities of the association in its first year should be formalised.

The work in phase one falls into two broad categories: legal and administrative, and field work. Work loads will be high in both areas. The former will require much research and paper work, and the latter will require extensive consultation. The two officers will divide the work accordingly, in conjunction with the steering committee.

The functions to be undertaken in Phase One of the implementation process:

- a) assist cooperatives to prioritise activities for association;
- b) in accordance with (a) to further define the tasks of employees of the association, taking into consideration the functions to be carried out by the association and the possible resources available;
- c) to continue coordinating meetings with worker cooperatives to outline the legal framework of the association so that it is consistent with the aims and objectives of the cooperatives and is organised in such a way that the structural relations are satisfactory to the cooperatives concerned;
- d) to negotiate with the registrar of cooperatives to ensure that both the cooperatives and registrar are satisfied with the outcome.
- e) to draw up the documents for incorporation and organise the inaugural meeting of the association.
- f) to locate and organise premises while determining their specifications in liaison with the cooperatives.
- g) to inform newer cooperatives of the proposal for an association and encourage their involvement.
- h) if time allows to train employees of the newly formed association. This will require some overlap between the two phases.

Worker cooperatives continue to be involved in MACC's Worker Cooperative Working Party. This will be a crucial factor in the formation of an association.

6.2 PHASE TWO

This refers to the first three years of the association. A minimum of five workers will be required to carry out the anticipated functions. As phase one will have been completed, the association can launch directly into its aims and objectives.

Although the order in which these tasks are carried out will be determined by the decisions made during phase one, it is clear that the bulk of the association's work in its first year will be forward planning and negotiation. Given the broad range of services the association will offer, it is essential that these are introduced gradually. The association will begin to introduce its services throughout the first year, and by the second year, they should be fully available.

6.2.1 Publications

The publication of The Cooperator is an immediate priority for the association. It would be hoped that the publications officer could resume publication of the magazine within two months of phase two. The magazine should resume publication on a monthly basis.

The CDP unit has produced case studies of its funded cooperatives. These studies are now awaiting publication. The association could organise publication in its first year.

The association may publish pamphlets and monographs from time to time. Such publications could be commissioned for the second year.

6.2.2 Resourcing and Support Services

Support and resourcing services should be fully operational by the end of the first year.

Within this time, purchasing of computer hardware and software, installation and training will take place.

Use of basic office facilities, such as photocopying and meeting space could be offered immediately.

Support services to pre and start-up cooperatives would begin in the first year. Basic literature could be on offer, and some contact hours could be made available.

However a fully operational business consultancy model will be determined by negotiations with the educational institutions, cooperatives and the CDP. The association could commence work on this model at the commencement of phase two, to enable a fully developed model to be on offer by the end of the first year. These services will require a trial period during which their effectiveness would have to be monitored.

6.2.3 Development of Funding Facility

The worker cooperative working party is currently recommending to the MACC that an association auspices a worker cooperative development agency with an initial facility of \$1 million. The agency will provide financing, including provision of grants, and technical and financial assistance to worker cooperatives.

The methods by which the agency is to assess applications for finance have yet to be determined.

One alternative is that the DEIA could auspice the agency for its first financial year. The agency would have its own board, which would determine assessment guidelines and monitor funded cooperatives. This would allow time for the relationship between the association and the agency to be developed, and for a suitable financial model to be produced.

As argued earlier in this report, assessment and monitoring functions in regard to finance are inappropriate for an association to undertake. However, from the outset, the association will be involved in discussions with DEIA, MACC and the VCCA regarding the formation of a funding facility.

Much of the association's work in the first year will be directed towards developing the agency.

6.2.4 Promotions

The association could be promoted in the first year through general press releases and interviews.

However, any specific promotion of the worker cooperative model to target groups requires a detailed marketing strategy. The association could conduct this study in the first year.

Promotion of the worker cooperative model in appropriate industry and business sectors could then begin in 87.

6.2.5 Education and Training

The association will progressively assume more responsibility for worker cooperative education and training in conjunction with Preston TAFE, Ballarat CAE and the CDP. MACC will endorse the Meredith-Greer recommendation that sector-based education and training committees be established, and this will form the basic philosophy for the association's work in this area.

The association will accept responsibility for an education and training committee towards the end of the first year.

6.2.6 Liaison with Trade Unions

In the first year the association will work with the DEIA as it prepares a proposal for a trade union liaison officer. Subsequently the liaison officer will work with the association.

6.2.7 Liaison with Government

The association will begin immediate discussions with the registry. In its first year it could also establish basic contact with DEIA on questions of industrial democracy and health and safety, and with the Attorney General's department on equal opportunity.

The development of these policy areas in the cooperative sector would be a long term task for the relevant project officer.

6.3 MANAGEMENT OF PHASE ONE

Currently the MACC research worker is managed by a worker cooperative working party.

It is proposed that this working party take on the responsibility of a steering committee for phase one of the association.

This is considered appropriate as these cooperatives will hold membership of the association and have responsibility for its management. The decisions and directions adopted in phase one will determine the nature and structure of the association, and therefore these questions must be addressed by the worker cooperatives involved in its future membership.

The steering committee will convene no less than once a month, either before or after the working party meeting. It will provide support, information and develop a worker cooperative response to the unresolved response of implementation. The project worker will report to the steering committee on her or his activities and reports of these meetings will be presented to the DEIA.

6.4 LEGAL AND FINANCIAL RESPONSIBILITY

The steering committee will nominate a cooperative to assume legal and financial responsibility for the association until it has become incorporated.

6.5 STAFF APPOINTMENTS

The steering committee will advertise, interview and appoint positions for both phase one and phase two.

It is proposed that phase one will begin in April 1986 and Phase two in June.

There will be an overlap of appointments for phase one and phase two of at least one month, to enable on the job training.

During phase one, the project officers together with the steering committee will detail job specifications for phase two. Employees from phase one could reapply for phase two jobs.

Possible positions for phase two could be:

1. Administrative Officer

- accountancy
- liaise with DEIA
- develop consultancy model
- liaise with development agency and assist in its establishment

2. Project Officer - Resourcing

- coordinating access to office resources
- coordinate word processing services
- acquire and catalogue library materials

3. Publicity Officer

- Production of The Cooperator
- Publication of case studies
- Development of marketing strategy for promotional activities

4. Project Officer - Field Work

- Generating contact with pre and start up cooperatives
- Assisting with development of business plans
- Assisting with monitoring of funded cooperatives
- Assist with development of business consultancy model

5. Project Officer - Education and Training

- Liaising with trade union officer
- Liaising with CDP and Preston TAFE to develop education and training committee
- Coordinate activities of education and training committee
- In conjunction with publicity officer, coordinate production of educational material
- Acquire and catalogue library materials

6.6 SAMPLE TIMETABLE

1. Publications

86/87 Publication of The Cooperator
 Publication of case studies
87/88 Publication of pamphlets, monographs

2. Resourcing and Support Services

86/87 Set up accountancy service
 Set up word processing and other office services
 Plan consultancy model with DEIA and Preston TAFE
 Offer basic referral services to pre and start-up cooperatives: contact hours and literature
 Meeting space available
 Develop library system

87/88 Consultancy available
 Accountancy service offered
 (Both services on trial basis)
 Word processing, bulk mailing facility and other office services operational

3. Funding

- 86/87 Association negotiates with DEIA, and VCCA on establishment of funding facility for worker cooperatives
Association obtains membership on board of funding agency.
Association offers assistance with business plan
- 87/88 Development Agency full operational under auspices of association

4. Promotions

- 86/87 Basic publicity of association through press releases and interviews
Work on marketing strategy for worker cooperative sector
- 87/88 Worker cooperative model promoted in appropriate industry and business sectors
Promotional activity assessed

5. Education and Training

- 86/87 Association negotiates with DEIA and Preston TAFE on establishment of education and training committee
- 87/88 Association assumes responsibility for committee
Liaison with DEIA and Preston TAFE continue

6. Liaison with Trade Unions

- 86/87 Work with DEIA on proposal for liaison officer
- 87/88 Work with liaison officer based at THC on broadening ties with union movement.

7. Liaison with Government

- 86/87 Initiate contact with registry, DEIA (health and safety, industrial democracy) and Attorney General's Department (equal opportunity)
Begin developing policy in above areas in relation to cooperative movement.

7.0 BUDGET FOR PHASE ONE AND

FIRST THREE FINANCIAL YEARS

Duration of phase one is 13 weeks, ending June.

	PHASE ONE Total	1986-87	Total
1. Salaries			
Wages	12,993.99	129,940.00	
Holiday Pay & Loading	1,152.64	11,726.50	
WorkCare	80.00	807.50	
	14,226.63		142,474.00
2. Office Costs			
Rent (@ \$120p/week)	1,560.00	6,240.00	
Bond & Moving	680.00		
Electricity & Connection	220.00	700.00	
Telephone	5,000.00	1,800.00	
Stationery	300.00	2,000.00	
Postage	100.00	1,200.00	
Printing		30,000.00	
Cleaning	720.00	2,881.00	
	8,580.00		44,821.00
3. Expenses			
Travel & Meals Away	200	200.00	5,000
			5,000.00
4. Office Equipment			
Office Furniture	8,160.00	1,000.00	
Word Processor & Printer		7,000.00	
Answering Machine		350.00	
Tape Recorder		517.00	
Kitchen Facilities	350.00	100.00	
Computer Software		3,000.00	
	8,510.00		11,967.00
5. Administrative Costs			
Insurance	150.00	150.00	900.00
Accountant	120.00		500.00
Bookkeeping	200.00		
Auditor	120.00	500.00	
Sitting Fees	861.00	3,444.00	
Workshops	400.00	2,500.00	
Consultancy	300.00	6,000.00	
Translations		3,000.00	
Library	200.00	1,800.00	
	2,351.00		18,644.00
	<u>34,017.63</u>		<u>222,906.00</u>

1. It is possible that the Department of Property and Services will provide suitable premises and some furnishings as a contribution to the cost of the association.

2. Annual increases of 10% have been built in to labour, service and utility costs.

	1987-88	Total	1988-89	Total
<u>1. Salaries</u>				
Wages	142,834.00		157,227.00	
Holiday pay & leave loading	12,919.00		14,210.00	
WorkCare	888.36		977.19	
	156,641.36			172,414.19
<u>2. Office Costs</u>				
Rent	6,846.00		7,550.40	
Electricity	770.00		847.00	
Telephone	1,980.00		2,178.00	
Stationery	2,200.00		2,420.00	
Postage	1,320.00		1,452.00	
Printing	33,000.00		36,300.00	
Cleaning	3,169.00		3,485.91	
	49,285.00			54,233.31
<u>3. Expenses</u>				
Travel & Meals Away	5,500.00	5,500.00	6,050.00	6,050.00
<u>4. Office Equipment</u>				
Office furniture	1,000.00		1,000.00	
Kitchen Facilities	100.00		100.00	
Computer Software	500.00		500.00	
	1,600.00			1,600.00
<u>5. Office Maintenance</u>				
Insurance	990.00		1,089.00	
Accountant	550.00		605.00	
Auditor	550.00		605.00	
Sitting Fees	3,788.00		4,166.00	
Workshops	2,740.00		3,025.00	
Consultancy	6,600.00		7,260.00	
Translations	3,300.00		3,630.00	
Library	2,000.00		2,000.00	
	20,518.00			22,380.00
	233,544.36			256,677.50

1. SALARIES

a) Wages

Association: calculated at 5 full-time wages at \$25,988 (VPS award, Adm level 4), \$499 per week for each worker for 48 weeks. Holiday pay and loading are part of the 52 week period. The specific job descriptions will be defined in Phase 1 of the implementation strategy, in close consultation with the worker cooperatives.

Phase one: 2 full time worker at \$25,988 per annum (VPS award, level 4), \$499 per week for 13 weeks. Holiday pay and loading are in addition to the 13 weeks because of short-term duration of employment.

Workers Compensation: calculated on Workcare. Workers Compensation premiums for all workers, irrespective of positions held, will be based on the premium for the particular industry (market and business consultancy).

2. OFFICE COSTS

Rent: average rental space that meets the requirements of the Association.

Bond and Moving Expenses: it is anticipated that both sections of the project will occur in the same premises, thereby avoiding two moves, reducing expenses and avoiding time wastage.

Department of Property and Services may provide office space and some furniture as a contribution to the cost of the association.

Electricity and Connection: Phase one includes \$70 connection fee.

Telephone: Phase one includes purchase of Commander System. Cost of system, installation, line rental for one year and mainenance totals \$4768. Purchase is recommended because;

- a) Rental cost of this system for two years is almost equivalent to purchase price;
- b) Only other option available is ordinary hand sets with Rotary Group which would be less efficient and require receptionist work. The Commander System can be answered at all work stations, has intercome functions, conference facilities and can transfer calls from each handset.

Stationery: includes photocopy paper, based on an anticipated increase in the volume of work. Will also provide photocopying services for worker cooperatives and establishing worker cooperatives.

Printing: information leaflets on cooperative development, and the association, and production of booklets or information sheets on the cooperative movement in other countries in English translation.

Printing budget includes provision for production costs of the magazine, The Cooperator: \$20,000 per annum in first financial year. Estimates based on budget produced by Gay Publications Cooperative.

Cleaning: One cleaner three times per week. Includes salary, holidayand sick pay; cleaning materials etc; administration, travel, phone, superannuation etc.

3. TRAVEL EXPENSES

Association: includes visits to country cooperatives, conference meetings interstate and local travel.

Phase One: local travel with 1-2 trips to country areas.

4. OFFICE EQUIPMENT

Office furniture: It is assumed that furniture purchased for use of research worker in feasibility stage of project will be passed onto the association.

5 ergonomic chairs: \$1350

5 desks: \$1000

3 work stations: \$3000

8 partitions: \$1760

3 Filing cabinets: \$750

Shelving: \$300

Yearly additional budget of \$1000 to cover extra shelving, filing expansion and repairs.

Word Processor and Printer: To allow efficiency in production and capacity for storage material. Also an important resourcing item. Can provide bookkeeping facilities and other services to worker cooperatives.

Answering Machine: When office is unattended and during meetings.

Tape Recorder: Price includes high quality microphone. For interviews for research, taping meetings, workshops, speakers etc, and capacity to record radio interviews and programmes.

Kitchen Facilities: Includes small fridge, urn, sundries.

Software: Custom designed accountancy program, including consultancy and installation, \$2000; Word processing package, including consultancy and training, \$1000.

Additional yearly budget of \$500 for expansion of software.

5. ADMINISTRATION COSTS

Insurance: Includes public liability, contents, theft and fidelity guarantee.

Accountant: Assist the bookkeeper with financial reports, preparation of statements for audit.

Bookkeeping: Needed in implementation phase. It is anticipated that one employee of the Association will have bookkeeping skills and this role will be included in one job specification.

Auditor: All cooperatives must have their books audited annually.

Sitting Fees: Cooperatives which are at a developmental stage cannot afford the time or resources to attend external meetings. Fees are calculated at 7 cooperatives at \$41 per meeting (public service rate) for one meeting per month.

Workshops: Seminars, workshops and public information sessions to assist cooperative development within the cooperative movement and increase the awareness of the general public.

Consultancy: To cover items such as fees paid to work cooperatives for expertise or information contracted by the association: to enable worker cooperatives to attend the education and training subcommittee and have input on the nature of future course and the devolution of responsibility for education and training to the association: professional assistance with improving the financial viability of individual cooperatives, professional advice on policy development questions, including information to Government and other consultation services that may be required by the association.

Translations: Documents, books, leaflets from overseas cooperative movements, especially France and Italy.
Translation of Australian information into other languages.

Library: The association is a resource centre and as such must purchase books and information resources for use by members and employees.

1. That an Association of worker cooperatives be established and incorporated by existing worker cooperatives.
2. That the Association be sector-based. Worker cooperatives are significantly different to other sectors - only a sector-based Association can develop the appropriate skills and expertise to meet the specific requirements of worker cooperatives.
3. That the DEIA as the relevant Government department support the establishment and development of the Worker Cooperative Association, and that funding be given in two phases, the first being 13 weeks, and the second three years, as outlined in the budget and strategy sections of this report.
4. That the existing government-supported infrastructure for cooperatives not be dismantled until such a time as the Association is prepared and equipped to accept responsibility for the development of worker cooperatives.

A P P E N D I X O N E

A C O M P A R I T I V E S T U D Y O F C O O P E R A T I V E M O V E M E N T S I N E U R O P E A N D T H E U. S.

For the proposed association to function effectively, it must obviously grow from the particular political and economic situation in Victoria. It would be unproductive to emulate overseas models.

However an examination of overseas association models can be instructive.

In particular the European experience indicates the importance of a tripartite relationship between cooperatives, trade unions and governments.

Worker cooperatives in Europe are seen as distinct from small business and are thus accorded special attention. Furthermore, it can be seen that if worker cooperatives are to expand, they require infrastructure which is specifically related to their needs.

FRANCE

Worker cooperatives in France have a longer and more complex history than their Australian counterparts. In 1876 the first French trade union congress saw them as progressive

enterprises which were complementary to trade unionism. During the Paris Commune in 1871 cooperatives were encouraged enthusiastically. In 1885, there were 40 worker cooperatives and by 1919 there were 120. (Worker Cooperatives, SCOP, A. Antoni, 1970).

State support has been from the beginning a key element in the growth of worker cooperatives. The Chambre Consultative des Association Cooperatives Ouvrieres de Production was formed in 1884 following recommendations in the Waldreck-Rousseau report commissioned by the Ministry of the Interior a year earlier. The Chambre began with 29 affiliate societies.

In 1934 this became the Confederation Generale des Societes Ouvrieres de Production (SCOP) which is decentralised and organised along both industrial and regional lines. There are eleven regions.

The two major industry-based associations within the Confederation are the Federation Du Batiement Travaux Publique which covers worker cooperatives in building and public works and the Federation Du Livre which covers worker cooperatives in printing and graphic arts. (See Worker Cooperatives In France, by Hugh Sibille).

The Confederation advises worker cooperative members on legal, social and financial questions, acts to support development, trains worker cooperative members, acts as a representative for worker cooperatives and encourages the philosophy and principles of cooperation. Small business is excluded from its brief.

The Federation Du Livre has introduced a work exchange system in the printing industry and also acts as a broker on behalf of its members cooperatives.

The eleven regional bodies assist worker cooperatives in management, finance and business analysis. They have a team of temporary business managers who can manage newly created cooperatives until they have set up their own structures. They help cooperatives develop their projects, enterprise plans, legal establishment and negotiate with outside bodies. External consultants are made available when needed. They have been particularly active since 1975. It has long been acknowledged in France that worker cooperatives have specific needs that lie outside of a small business perspective.

The resources of the Confederation come from fees paid from member cooperatives pro-rata of their turnover which at present is 3%. Of this, 2% covers expenses of the Confederation and the remaining 1% is contributed to the Confederation Expansion Fund, which funds the capital requirements of worker cooperatives, finances new cooperatives and assists with the development plans of older cooperatives.

The Confederation also receives funds from the Ministry of Works and Employment to support workers engaged in taking over private companies. State support for worker cooperatives has occurred mainly in the form of providing contracts for goods and services, which has facilitated the growth and development of viable cooperatives.

The raising of loans for worker cooperatives is still a problem. The Caisse Centrale de Credit Cooperatif is the major lending body for cooperatives. However it lends only a very small proportion of its funds to worker cooperatives because they are considered "high risk". In 1976, only 1% of the bank's loan facility was out to worker cooperatives, and this only increased to 2% in 1977. The requirements for security are the same as for other banks. The Caisse Centrale asks for a mortgage on assets and to have first

call on assets in the case of liquidation. Sometimes they ask worker-owners to sign an agreement to repay a loan should the enterprise collapse. This happens where the cooperative is very labour intensive and has few assets for security. The Caisse Centrale also lends to organisations other than cooperatives, where risk may be more easily assessed and in order to strengthen funds. (Jenny Thornley, Worker Cooperatives, 1981)

There can be no doubt that the existence of the Confederation has contributed to a growth in worker cooperatives. Despite financial problems, the number of worker cooperatives belonging to the Confederation grew from 522 in 1970 to 933 in 1981. In 1982, these cooperatives employed 34,865 workers. (Mutual Aid Centre, 1984.)

Furthermore, the SCOP has a history of successfully managing changeover cooperatives. For instance, in 1974 SCOP sent two advisers to prepare a feasibility study on a conversion furniture coop, Manuest, in Chatenois. The report enabled the cooperative to receive finance from government and banks, together with union support. One SCOP adviser stayed on as manager of the firm.

A history of state support, liaison with the trade union movement, and a developed infrastructure have been important elements in the growth of French worker cooperatives.

ITALY

Italian cooperative associations are set up on a vastly different basis to those in France. The numbers are far greater, to begin with. There are more than 5000 recorded cooperatives. Their annual turnover comprises 10% of the national economic output.

Three major associations represent all cooperative sectors and have developed from different political affiliations rather than along sectoral lines. There is the Lega Nazionale delle Cooperative E Mutue which is communist and socialist, established in 1893 and closely associated with the then Socialist Party. The second largest is the Christian Democrat breakaway group, the Confederazione Cooperative Italiene, set up in 1919. The most recent is the Associazione Generale Degli Cooperative Italiene established in 1945 and comprising mainly social democrats, liberals and republican cooperatives. Of these, La Lega is the largest, with 3000 member cooperatives. All three associations have agricultural, housing, retail and credit cooperatives as members. According to Oakeshott, the large size of the cooperative movement is due to the predominance of worker cooperatives.

Worker cooperatives benefit from a tripartite alliance of unions, government and cooperative associations to carry out certain functions. All three federations maintain representatives in the trade union movement.

During 1978-1980 the Lega undertook a three-year strategy to enhance cooperative development. This was a 'structural response' to what was perceived as 'structural economic problems'. The major emphasis was to stimulate cooperation

between sectors in order to consolidate their economic base. Close links were developed with government through preferential contracts for goods and services. La Lega believed that expansion and increased viability of the cooperative movement would increase its ability to negotiate with government and other bodies for finance, contracts and legal and taxation advantages. The effectiveness of cooperatives would thus be increased. It's important to note that La Lega represents more than 50% of all Italian worker cooperatives.

Much of the success of Lega cooperatives in the last few years has been attributed to the overseas contracts it has arranged for cooperatives or consortia of cooperatives as well as the strong trade union links the Lega has formed. There is also a large success rate with conversion cooperatives: "The apparent success of its rescue operations suggests considerable vigor and dynamism on the part of the Lega..." (Oakeshott).

The size of the cooperative movement in Italy means that it has a large impact on the economy. Cooperative development in Italy aims to enhance the role of cooperatives promoting structural changes in the economy and generating employment. The Lega's three-year strategy plan had an object of creating 12,000 new jobs.

There can be little doubt about the importance of infrastructure in the Italian cooperative sector. Although there is no body purely for worker managed cooperatives, La Lega is primarily orientated towards democratic management philosophy. It should be stressed that there is little confusion between small business and cooperatives in Italy.

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MONDRAGON

The Mondragon cooperatives are situated in the Basque provinces of Spain. In the past 25 years employment has grown to 18,000.

Most of the production-based cooperatives in Mondragon are "worker cooperatives". The degree of worker control in these cooperative has often been questioned, but this issue will not be discussed here. Most cooperatives are newly created rather than conversions of pre-existing private enterprises. An outstanding feature of the Mondragon cooperatives is that they have an almost non-existent failure rate. The financial success of these cooperatives can probably be attributed to a number of factors in that region - historical, political, cultural and economic. However Oakeshott points out that the dynamism and success of the Mondragon group cannot be understood without taking full account of the contribution which has been made by the Caja Laboral Popular (CLP) (1984).

The CLP is the "bank of the people's labour" and has been functioning since 1959. It is a democratically structured workers' bank that protects and supports cooperatives and provides a link between them. It is a secondary cooperative in that it has associated cooperatives as members, but it is not entirely owned and controlled by them. Other sections of the community are also members. It works by attracting savings from the local community and investing them in its associated cooperatives.

The CLP assists a research and development agency, Ikerlan, and the education institution, Escuela Professional Politecnica (EPP).

The moves by cooperatives to set up the CLP and develop close ties between industry-based cooperatives are explained by Thomas and Logan as follows:

"As independent entities they had problems in common which were not always directly related to production and marketing difficulties. The very status of cooperatives and consequently that of their members as self-employed, was a constraint to their aim of rapid growth ... More important from the cooperative point of view were the restrictions placed on their collective access to finance for expansion ... the mutual aims of rapid expansion in output required a certain degree of coordination and periodic access to managerial expertise of a high level, which was difficult for most modest cooperatives to provide for themselves."

As well as financial support, the CLP provides technical and social assistance to cooperatives, which includes a pension fund for members. Cooperatives join by signing the contract of Association, agreeing to comply with the basic principles.

USA

The worker cooperative sector in the USA is less developed than in France, Italy and Spain. Not surprisingly there is little infrastructural support for worker cooperatives, and the main cooperative funding body, the National Consumer Cooperative Bank, has failed to support worker cooperatives

with high risk funding. There is also a confusion in the public's mind between worker cooperatives and worker owned enterprises or stock ownership companies. The latter tend to be, as in Australia, devices to rescue private business interest. People Express, a US airline which is a stock ownership company, while offering a degree of participation to employees, discourages union membership and pays below award wages.

The recently formed Industrial Cooperative Association (ICA), based in Massachusetts, is a response to the need for more concentrated infrastructure. The ICA is a sectorally-based association established in 1978 to assist worker cooperatives with consultancy, technical advice and finance. It has been instrumental in assisting employees with the takeover of private companies. It has negotiated a contract with the National Consumer Cooperative Bank for technical assistance to worker cooperatives and produces a quarterly bulletin and educational materials to assist business and promote development of appropriate skills. It has eleven staff members. The ICA could not survive on contributions from cooperatives alone and relies on support from private foundations.

There are also other centres and schools established for worker cooperatives in the US, but most were not founded or managed by worker cooperatives themselves.

The ICA operate a revolving loan fund, Industrial Cooperative Finance Ltd (ICF), with currently \$2.5million out on loan to worker cooperatives. ICF also funds worker equity shares.

ICF also acts as a broker, raising finance at city, state, federal and private bank levels.

The association sees its position as crucial to the development of start up cooperatives. The association currently deals with between 40 or 50 prospective worker cooperatives. Of these, 10 to 15 will persist and become fully fledged.

According to ICA's marketing manager, Christopher Macken, the Cooperative Bank lacks a special understanding of worker cooperatives. The bank has steered clear of development funding for worker cooperatives and has thus moved away from its original principles. Macken believes the worker cooperative sector requires its own infrastructure in order to develop meaningfully.

ENGLAND

England has both secondary cooperatives and cooperative development agencies. However, the latter have more resources, finance and services. The development agencies were formed externally from the cooperative movement.

The major worker cooperative agency is the Industrial Common Ownership Movement (ICOM) which was set up in 1958 and is based on a Christian socialist ideology. Its major aims are to "create a better society which is based on personal fulfilment and satisfying human needs." (Thornley). ICOM's model rules are adopted by most worker cooperatives for legal incorporation. In 1974 ICOM established the Industrial Common Ownership Finance Ltd (ICOFL).

ICOF's policy is to encourage the establishment of locally controlled revolving funds (in which money is leant out again as it is returned). ICOF offer a range of services including evaluation of applications for financial assistance from worker cooperatives on behalf of local authorities or other bodies. This involves on-site visits, desk appraisals, advice on improving proposals and the preparation of financial packages. ICOF also offer monitoring and support of cooperative borrowers in areas where there is no local support organisations, such as a cooperative development agency.

ICOF also offer advice and information to any local agency or authority establishing a fund, including the setting up of full administration procedures. Finally, it operates a service for cooperators on the preparation of a business prospectus, on financial control and on monitoring and support for borrowers.

A peculiar and inhibiting feature of ICOF is that it can only accept in the form of gifts or grants unless it can associate in some way with another finance institution which has a deposit-taking licence. Apart from its central fund, ICOF operates the West Midlands Fund in association with the West Midlands Council. It is in this latter area that most of its recent growth has occurred. The current loan is 500,000 pounds.

The other support agency is Job Ownership Limited (JOL) which is aimed at cooperatives that are based on a philosophy of 'enlightened self interest'. It has existed since 1978 but has not been particularly successful in promoting new cooperatives.

Cooperative development in the last eight years has been influenced more by the Cooperative Development Agencies (CDA) that have been established. CDAs were created by the Labour Government in 1978. In that year an act of Parliament established a national Cooperative Development Agency to promote all cooperative sectors and was given a budget of 900,000 for three years.

ICOM opposed the establishment of the CDAs on the basis that as service providers for the broader cooperative movement, they would be unable to respond adequately to worker cooperatives. ICOM is not represented on the national CDA cooperative board.

Since the national CDA was established, many local agencies have been set up. As 31 March 1984, there were 84 local CDAs. Forty-five were funded by local authorities and employed 122 full-time and 48 part-time staff. In addition, 15 authorities were employing 18 people specifically as cooperative development and support staff.

The CDAs provide marketing, planning, purchasing and other services and have played an important role in organising public sector contracts for worker cooperatives. In March 1984, there were 900 worker cooperatives employing approximately 9000 people. Most local authorities which auspice CDAs acknowledge the need for cooperatives to have specialised attention. Often local authorities will also provide assistance to small businesses. This form of assistance, however, is usually seen as quite separate from cooperative funding.

The Greater London Enterprise Board (GLEB) has played an important role in developing worker cooperatives. The GLEB has a stated policy of "democratising London's economy, to which worker cooperatives can offer more than any type of privately owned enterprise."

Until recently the GLEB provided up to 20,000 pounds per year for feasibility studies for setting up new cooperatives. Its 1982 guidelines committed more than one million pounds to 36 cooperative projects to provide employment for 400 people.

The London Cooperative Enterprise Board is the Greater London Council's creation. It funds cooperatives up to 40,000 pounds per loan. It coordinates education, training and marketing. The directors represent its membership - the South West region of the Trades Union Congress, ICOM, ICOF, the GLC and the GLEB. Worker cooperatives are included in its membership.

The future of cooperative development agencies and infrastructure for worker cooperatives is uncertain. With the Thatcher Government planning to dismantle the GLC and the GLEB in April 1986, all these projects are threatened with closure.

British worker cooperatives, in contrast to their French, Italian and Spanish counterparts, depend heavily on state support for their development and infrastructural needs. Support mechanisms have been created, but worker cooperatives do not have control of them, nor are they representative of the cooperative movement. The CDAs are not sectorally based, which prevents the consolidation of sectoral interests.

The trade union movement has historically maintained a wary attitude towards cooperatives. This is in contrast with French trade unionism. However there are signs that this may be changing. The Trades Union Congress has recently urged its member unions to look sympathetically towards requests

for assistance from members interested in establishing worker cooperatives. The TUC general secretary, Norman Willis, acknowledged the role of worker cooperatives in job creation and promoting industrial democracy. He has also indicated that worker cooperatives could play a role in determining TUC policy on economic planning. However to date there has been little formal dialogue between the cooperative sector and the trade union movement.

A U S T R A L I A N C O O P E R A T I V E D E V E L O P M E N T

The largest growth in worker cooperatives is occurring in NSW and Victoria. However growth is still small. In both these states, infrastructural support is still provided through a 'development agency' model which is part of a government bureaucracy.

Brian Greer in A Review of Worker Cooperative Development Agencies in Australia (1984) has provided an informed look at development agencies in Australia.

NEW SOUTH WALES

The approach to worker cooperative development in NSW has undergone many changes recently and the final outcomes are still uncertain. However their approach to the provision of support structures to worker cooperatives closely resembles the British experience. There are currently 13 worker cooperatives in NSW.

The major support body for worker cooperatives has been the Common Ownership Development Agency (CODA). While the British CDAs cover the breadth of the cooperative movement, CODA has focused specifically on the development of the worker cooperative sector.

Until recently the CODA was funded 'on contract' through the NSW government's Worker Cooperative Programme.

The CODA operated as a non-profit company which had a board comprised of people with 'experience in business, commerce, trade unions, community development and common ownership companies'.

The functions of the CODA are to provide business, legal and educationand training assistance and promote worker cooperatives. There is less emphasis on education and training than in Victoria.

In its initial stages the government's Worker Cooperative Programme focused on establishing small cooperatives. More recently however the programme has changed direction to one of supporting larger organisaiions, with particular emphasis on conversion cooperatives.

The programme was recently involved in plans to convert Rank Industries in Sydney into a worker cooperative. (This has now fallen through, due in part to objections from white collar workers.)

Until recently the Worker Cooperative Programme channelled financial assistance to worker cooperatives through Common Ownership Finance which was a revolving loan fund providing financial assistance to worker cooperatives. COF was part of the Cooperative Federation of NSW.

A recent government review of the cooperative programme has suggested substantial changes to this situation. As a result cooperative financing emanates directly from government and COF is no longer used. The Review recommended the establishment of a 'Worker Cooperative Enterprise Board' which would be a statutory body, but also a 'quasi-commercial arm of government' and would have a 'degree of functional autonomy'. (The Ministerial Working Party on Worker Cooperatives).

During this year, as an outcome of the review, it has been decided to draw the responsibility of worker cooperative development back to government - a move influenced by the support models of the Greater London Council.

An association of worker cooperatives was established in 1981, but lapsed through membership inactivity. There has recently been renewed interest in an association by worker cooperatives.

VICTORIA

To date in Victoria the role of worker cooperative development and the provision of support mechanisms have been organised by the Cooperative Development Programme of the DEIA in association with Preston TAFE, and more recently the MACC research worker.

The CDP has been the sole funding body for worker cooperatives, and through this process has monitored the financial development of funded cooperatives. The funding committee, made up of different representatives of the cooperative movement, has determined whether an applicant cooperative will receive financial assistance from the CDP.

The CDP, through Preston TAFE and to a lesser extent Ballarat CAE, has organised education and training courses for worker cooperatives and has provided consultants for marketing and business advice.

The CDP has also been instrumental in organising forums and services for worker cooperatives and others involved in the cooperative movement, and has produced literature dealing with various issues on cooperative development. It has also produced promotional leaflets on cooperatives and the programme, and is in the process of producing case studies on some existing cooperatives.

The worker cooperatives funded by the CDP are mainly small and production based. Some were established prior to or independently of the CDP. There has also been some attempt to assist with converting privately owned enterprises into worker cooperatives.

The CDP is a government body. However the functions it performs closely resemble those of a development agency. Unlike the CODA in NSW or the British CDAs, the Victorian CDP is not self-autonomous.

A P P E N D I X I I

N O T E S O N P R O P O S E D A S S O C I A T I O N M O D E L

1. Incorporation of the Association

During the preparation of this report a number of questions about the legal structure of the Association were examined and discussed by worker cooperatives. From these discussions a draft set of rules was drawn up. These rules are not yet finalised and are pending further discussions by cooperatives and possibly alterations to the Cooperation Act.

3. Options for Incorporation

There were two possible options for legal incorporation of the Association at this point in time.

- (i) as 'an Association' under the Cooperation Act (1981)
- (ii) as an association under the Associations Act (1981)

The Associations Act is used mainly for clubs and small organisations and trading cannot be a major activity of these groups. At present this Act would allow for greater structural flexibility within the Association. The option of registration under the Associations Act was not considered the most appropriate for a secondary cooperative and would only be used if the Cooperation Act could not cater for the structural preferences of the worker cooperatives forming the association. It was considered as a temporary strategy until such time as the legislative changes to the Cooperation Act are approved.

The major and decisive advantages of the Cooperation Act are that it would allow for a greater scope of functions and would allow the Association to remain legally part of the cooperative movement. It would mean it was subject to the same democratic procedures as primary cooperatives and cooperative Associations and Federations, and would be legislatively required to practice cooperative principles.

3. The Draft Rules

The Draft Rules of Incorporation include sections on aims and objectives, proposed structure involving management and financial arrangements, and all other areas with which cooperatives must legally comply.

The aims and objectives are to be supported by cooperatives before their membership will be approved. In an attempt to encourage certain standards within worker cooperatives and the Association, objectives such as the requirement for cooperatives to observe health and safety conditions and award wages have been included.

4. Employees and the Membership

The relationship between the employees of the Association and its membership (the worker cooperatives) will have to be properly defined. This was an area of major concern in the drafting of the Rules.

In a primary worker cooperative the workers are the members and vice versa. They own and control the enterprise for which they work. The structure of an Association vis a vis its employees is not that of a worker cooperative, and most closely resembles a community cooperative. Its employees do

not have the same status as its membership. Ownership and decision-making ultimately rest with the worker cooperatives to whom employees are responsible and accountable. This relationship is fundamental to an organisation where workers are employed to represent a specific sector or interest group and provide responsive services.

However it would be contrary to the democratic principles of worker cooperatives to totally exclude Association employees from decision making.

The structure that has been proposed in the Rules attempts to resolve this dilemma. It reflects a model of worker participation rather than worker control. Participation of employees will be generated by allowing them collectively one representative at management level (at general meetings and Board of Directors meetings) who can vote on decisions. All worker cooperative members and all Association employees shall be allowed to attend and participate in all debates at management level.

A democratically structured organisation with emphasis on member involvement should meet a number of conditions. Members should have commitment to the proposal, they must fully understand their organisation's objectives and they must have access to information to make informed decisions.

A potential danger of the association is that membership will not have adequate involvement. The result would be that the Association lacks accountability to the worker cooperatives, employees receive insufficient direction from the members, and the Association does not represent the views of the worker cooperatives effectively. This 'top down' approach is antithetical to the principles of secondary cooperatives.

A P P E N D I X I I I

I N T E R V I E W Q U E S T I O N S

Worker cooperatives were interviewed between April and May, 1985. After a brief introductory talk on the background of the Association, cooperatives were asked a series of questions in order to solicit their views about the establishment of such an organisation.

- (1) What are the major problems of your cooperative with which an Association could assist? Can you recognise areas for Association involvement that would effect cooperatives collectively?
- (2) What are the priority areas?
- (3) What would you see as the advantages and disadvantages of a worker cooperative Association?
- (4) Given time and resource constraints, are your members able to work on issues that are not directly involved with the business? Why? Would it be useful to work through an umbrella group, like an Association, in order that issues can receive attention?
- (5) Do you think worker cooperatives need a lobby group or representative organisation to work on behalf of their interests?
- (6) Are there specific resources that your cooperative would like the Association to own and make available?
- (7) What are your responses to the current education and training procedures? Would you like the Association to take responsibility for E & T?

- (8) Do you think an Association would be useful to newly establishing cooperatives? In what way?
- (9) Should the association take responsibility for The Cooperator?
- (10) What do you consider to be the advantages and disadvantages of the Cooperative Development Program? If an Association is established what do you envisage as the role of the CDP?
- (11) Would your cooperative join the Association?
- (12) Is your cooperative a member of the Cooperative Federation of Victoria? Why? What relationship should the Association have with the CFV?
- (13) What qualities should Association employees have? Expertise in business, marketing, E & T? A background in worker cooperatives?
- (14) Should decision making in the Association be based on one vote per cooperative or proportionally on the size of the cooperative?
- (15) Should unincorporated cooperatives play a role? How?
- (16) Should decisions be made by majority vote, concensus, other?
- (17) Do you think Association employees should play a role in decision making?
- (18) How often should the Association hold general meetings? Directors meetings? Should it have a Board of Directors?
- (19) If the Association is established and provides useful services, would your cooperative be able to make a financial contribution? Now? In the future?

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